LEGISLATIVE
AUDIT
COMMISSION

Review of
Property Tax Appeal Board
Two Years Ended June 30, 2000

622 Stratton Office Building
Springfield, Illinois 62706
217/782-7097

REVIEW: 4141
PROPERTY TAX APPEAL BOARD
TWO YEARS ENDED JUNE 30, 2000

FINDINGS/RECOMMENDATIONS - 7

ACCEPTED - 6
IMPLEMENTED - 1

REPEATED RECOMMENDATIONS - 3

PRIOR AUDIT FINDINGS/RECOMMENDATIONS - 4

This review summarizes the audit of the Property Tax Appeal Board for the two years ended June 30, 2000, filed with the Legislative Audit Commission February 28, 2001. The auditors performed a compliance audit in accordance with State law. The Board had no locally held funds or federal or State trust funds. Consequently, there are no financial statements requiring a financial audit leading to an opinion.

The Property Tax Appeal Board was created to adjudicate real property tax assessment appeals. Appeals are filed by any taxpayer dissatisfied with the decision of a board of review as such decision pertains to the assessment of his/her property for taxation purposes, or by any taxing body that has an interest in the decision of the board of review pertaining to a property assessment. The Board determines the correct assessment of a parcel of land which is subject to appeal based upon facts, evidence, exhibits, and briefs submitted to or elicited by the Board.

Prior to FY97, the Board heard appeals in any county other than a county of over 1,000,000 population. Effective July 11, 1995, the Board was mandated to hear appeals for counties with a population of 3,000,000 or more beginning with the 1996 assessment year.

The bipartisan board is comprised of five members, appointed by the Governor, with advice and consent of the Senate, with one Board member serving as Chairman. The daily operations of the Board are managed by an Executive Director. Mr. James Chipman serves as Executive Director of the Board. Mr. James Chipman was appointed Executive Director of the Board on June 8, 1994. Prior to his appointment as Executive Director, Mr. Chipman was legal counsel to the Property Tax Appeal Board. Mr. Max Coffey serves as Board chairman.

The average number of employees for the fiscal year ended June 30 was as follows:

	2000	***1999***	***1998***
Administration—Springfield/Des Plaines	14/17	15/20	17/25
Hearing Officers—Springfield/Des Plaines	7/8	7/12	6/20
Total—Both Offices	46	54	68

Appendix A provides a summary of the Board's caseload. As of June 30, 2000, the Board had appeals on 14,233 properties pending. In FY97, the Board started receiving appeals in the Des Plaines office for Cook County and the appeals filed increased accordingly.

Expenditures From Appropriations

Appendix B presents a summary of appropriations and expenditures for the two-year period under review. The General Assembly appropriated a total of $2,940,900 for both offices of the Board in FY2000. The Springfield office received $1,223,970 and expended $1,154,196 in FY2000, while the Des Plaines office was appropriated $1,716,930, and expended $1,227,224. Total expenditures decreased from $2,411,144 in FY99 to $2,381,420 in FY2000, a decrease of $237,276, or 9.8%. The decrease in expenditures is attributable to the decrease in the workforce. The audit report states that there were fewer appeals than anticipated when the Des Plaines office opened. Lapse period expenditures were $116,402, or 4.8%.

Property and Equipment

Appendix C summarizes the changes in property and equipment for the Board. The beginning balance as of July 1, 1998 was $784,016, compared to an ending balance as of June 30, 2000 of $675,764.

Accountants' Findings and Recommendations

Condensed below are the seven findings and recommendations presented in the audit report. There were three repeated recommendations. The following recommendations are classified on the basis of information in the audit report provided by Madeline M. Gumble, Chief Fiscal Officer, Property Tax Appeal Board.

Accepted

1. Expend funds only for the purposes for which they were appropriated, and maintain adequate documentation of employee reports, itineraries, and automobile mileage records. (Repeated-1998)

<u>Findings</u>: The Board charged the salary of one employee to the wrong appropriation—Des Plaines instead of Springfield. The employee worked from home and was responsible for attending hearings, evaluating hearing sites, and evaluating hearing officers. However, vehicle logs, daily attendance, and itineraries were not maintained and the Board minutes did not reflect the employee's attendance.

<u>Response</u>: Accepted. The Springfield office funds are the proper expenditure source for the particular employee and the correction was made effective September 16, 2000. The Board has requested and was granted approval by the Governor's office to combine the two divisions in the FY02 budget, so that the agency will operate as a single unit. The employee has been advised and counseled to comply with the reporting and recordkeeping standards applicable to all State employees.

2. Adequately supervise and control property inventory, properly and timely submit quarterly reports of fixed assets and the annual certification of inventory as required. (Repeated-1996)

<u>Findings</u>: The Board did not maintain adequate control over property. While control over property has improved, the Board has not maintained adequate control regarding physical control, recordkeeping and reporting. The auditors noted the following:

- One of eight Quarterly Report on Fixed Assets (C-15) was not filed;
- Five of eight C-15s were either inaccurate or improperly documented;
- The certification of inventory for December 31, 1998 did not include high theft items as required;
- Chairs were purchased from the wrong appropriation, and one chair had no asset tag attached to it;
- One item was not reported as a transfer; and
- One item was not listed on a transfer form.

According to the Board's management, it has had periodic vacancies in the accounting department, including chief fiscal officer, and had only recently devoted adequate staff time to correct the problems and improve internal controls.

<u>Response</u>: Accepted. Required reports to both CMS and the Comptroller have been filed timely since December 16, 1999. Since that time, several proactive measures were put in place to improve control of inventory including more stringent physical controls and a new electronic database to record inventory.

3. Comply with the statutes, use correct definitions and fiscal year-end data, and maintain supporting documentation.

Findings: The Board did not properly execute the Agency Workforce Report. The following deficiencies were noted:

Accepted - concluded

- The total number of employees that were recorded on the report for FY99 did not agree with the payroll warrants because the Board used the September 30 payroll date rather than June 30.
- The Board did not follow the State Employment Records Act's definition of a professional employee for FY99.
- Material errors in the report were reported in an audit report released on March 5, 1999. However, a corrected FY97 Report was not filed until September 22, 2000. State statute requires that a corrected report be filed within 30 days.

The Board's Human Resource Department stated that they were unsure as to how to interpret requirements of the Act. Inadequate supervision and monitoring by management contributed to this situation.

Response: Accepted. The Board agrees that personal service documentation should be scrupulously maintained. The Fiscal Office and the Human Resources Office experienced 100% turnover between September 16, 1999 and May 1, 2000. Since January 2000, all employee files have been reviewed by the new payroll and new personnel staff, a monthly review of time and attendance, and biennial employee certifications have been done.

5. Follow system of internal controls, the Administrative Code and SAMS over voucher processing, and devote sufficient resources to the monitoring of the system and the supervision of employees. (Repeated-1996)

Findings: The Board did not have adequate controls over voucher processing. The processing of vouchers frequently resulted in incomplete documentation, improper coding, and late approval of vouchers. The following weaknesses were noted:

- 12 of 123 vouchers tested, totaling $24,046, were not approved within 30 days of receipt of the vendors' invoices.
- Six of 123 vouchers tested, totaling $11,781, had a date on the vendor's invoice that did not agree with the invoice voucher.
- Seven of 123 vouchers tested, totaling $17,236 were not coded with the proper SAMS codes.

A good system of internal controls catches and corrects its own errors. Proper procedure has not been communicated to Board employees, and those employees have not been properly supervised to insure compliance.

Response: Accepted. The Board has made changes to regain control over voucher processing. Nearly all the items noted occurred as the result of employee vacancies and turnover. When the new Chief Fiscal Officer was hired, there was a normal, expected transition period needed to examine and analyze agency records. Specifically, the vouchers paid more than 30 days after receipt were consciously delayed while valid questions were pursued. Other items noted were corrected on or around January 1, 2000 after the new CFO began to oversee the voucher process.

6. Adequately review telephone usage and document the review. Seek reimbursement for personal calls.

Findings: The Board had no evidence of review or approval for out-of-state and out-of-country telephone calls. Twelve of 24 telecommunication expenditures tested, totaling $25,151, included 174 out-of-state calls for 702 minutes, and 15 calls to Canada for 80 minutes. There was no indication of purpose, review, and/or approval of these calls.

Response: The Board recognized this deficiency in January 2000, and sent a memo on February 16, 2000 to all staff reminding them of the rules. Monthly employee certifications were begun on July 1, 2000.

7. Keep adequate records to complete an accurate GAAP Report, and adequately monitor and supervise preparation of the GAAP Report.

Findings: The Board did not maintain the necessary documentation to support the FY99 GAAP Reporting Package.

The Board stated that failure to retain the necessary documents by the former CFO caused the breakdown in normal procedures.

Response: Accepted. Although former staff members did not retain records to substantiate the FY99 GAAP figures, the fiscal office did keep adequate records for the FY2000 audit period.

Implemented

4. Comply with statutes, SAMS procedures, and internal control guidelines to ensure that receipts are properly recorded and deposited and that reconciliations are properly performed. Management should closely monitor, supervise and review employees' work.

Findings: The Board had inadequate internal control over the deposits of cash receipts and refunds into the State Treasury. The auditors noted the following items which were either not performed or performed incorrectly:

- 25 of 25 receipts tested listed a receipt date in the receipt ledger that was not the date the remittance was received, but rather the date it was deposited;
- When a check is received by the mailroom, it is not restrictively endorsed;

Implemented - concluded

- The Receipts Deposit Transmittal Form was not signed by a Board employee for 18 of 25 receipts tested;
- Four of 25 non-negotiable drafts tested were held for 48 to 102 days before being recorded in the accounting system;
- One of 25 receipts tested was for 65 instead of $60; and
- One of 25 receipts tested was not coded to the proper account.

Response: Implemented. The cash receipts ledger was immediately corrected and all checks are restrictively endorsed upon receipt. The Board will seek clarification from the Comptroller regarding signatures on the Deposit Transmittal Form. All transactions are now completed timely.

Emergency Purchases

The Illinois Purchasing Act (30 ILCS 505/1) states, "The principle of competitive bidding and economical procurement practices shall be applicable to all purchases and contracts..." The law also recognizes that there will be emergency situations when it will be impossible to conduct bidding. It provides a general exemption for emergencies "involving public health, public safety, or where immediate expenditure is necessary for repairs to State property in order to protect against further loss of or damage ... prevent or minimize serious disruption in State services or to insure the integrity of State records. The Chief procurement officer may promulgate rules extending the circumstances by which a purchasing agency may make 'quick purchases', including but not limited to items available at a discount for a limited period of time."

State agencies are required to file an affidavit with the Auditor General for emergency procurements that are an exception to the competitive bidding requirements per the Illinois Purchasing Act. The affidavit is to set forth the circumstance requiring the emergency purchase. The Commission receives quarterly reports of all emergency purchases from the Office of the Auditor General. The Legislative Audit Commission is directed to review the purchases and to comment on abuses of the exemption.

During FY99 and FY2000 the Board did not file any affidavits for emergency purchases.

Headquarters Designations

The State Finance Act requires all State agencies to make semiannual headquarters reports to the Legislative Audit Commission. Each State agency is required to file reports of all of its officers and employees for whom official headquarters have been designated at any location other than that at which their official duties require them to spend the largest part of their working time.

The Property Tax Appeal Board indicated as of July 2000, that no employees were assigned to locations other than official headquarters.